

Message Text

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PAGE 01 CARACA 11617 291710Z

63

ACTION ARA-10

INFO OCT-01 AF-08 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 /137 W

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P R 291428Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 4961

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT BAGHDAD

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: VENEZUELAN OIL PRICE INCREASE

REF: A) CARACAS 10795 NOTAL

B) CARACAS 6824

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PAGE 02 CARACA 11617 291710Z

C) CARACAS 8004 NOTAL

SUMMARY. VENEZUELA IS ADJUSTING UPWARD EXPORT SALES PRICES OF MOST CRUDE OILS AND PRODUCTS FOR FOURTH QUARTER OF 1976. NEW PRICES SAID TO BE BASED ON IMPROVED MARKET CONDITIONS, PARTICULARLY FOR HIGH SULFUR FUEL OIL. END SUMMARY.

1. DETAILS OF VENEZUELAN FOURTH QUARTER OIL PRICE ADJUSTMENTS WERE REPORTED IN INTERNATIONAL PETROLEUM PRESS IN RECENT WEEKS. INDUSTRY AND GOVERNMENT SOURCES HAVE CONFIRMED TO EMBASSY THE GENERAL ACCURACY OF THESE REPORTS. IN PARTICULAR, PRICE LIST CONTAINED SEPTEMBER 20 ISSUE OF PETROLEUM INTELLIGENCE WEEKLY IS ACCURATE.

2. EXPORT SALES PRICES OF MOST HEAVY CRUDES INCREASING 25 TO 50 U.S. CENTS PER BBL, MEDIUM CRUDES UP 25 TO 30 CENTS, AND LIGHT CRUDES UP 5 CENTS. GASOLINE AND NAPHTHA REDUCED 42 CENTS, WHILE FUEL OIL PRICES RAISED 40 TO 70 CENTS PER BBL. NEW PRICES APPLY FROM OCT. 1 THROUGH DEC. 31, EXCEPT FUEL OIL PRICES WHICH ARE SUBJECT TO MONTHLY REVIEW. INCREASES ARE IN LINE WITH THOSE EARLIER REPORTED BY INDUSTRY SOURCES (REF A). HIGH SULFUR FUEL OIL PRICES IN PARTICULAR, HAVE INCREASED STEADILY SINCE FIRST QUARTER.

3. DR. ALIRIO PARRA, PETROVEN DIRECTOR IN CHARGE OF PRICE AND SUPPLY MATTERS, TOLD PETOFF THAT PRICE ADJUSTMENTS BASED ON PETROVEN'S ESTIMATE OF MARKET CONDITIONS FOR FOURTH QUARTER. HE SAID THAT UNLIKE EARLY MONTHS OF YEAR, WHEN PETROVEN WAS ATTEMPTING TO LEAD THE MARKET WITH ITS QUARTERLY PRICE ADJUSTMENTS, IT NOW WISHED ONLY TO FOLLOW GENERAL AND SEASONAL MARKET TRENDS. THEREFORE, HE WAS VERY CONCERNED WHEN HE LEARNED THAT PRICE LIST HAD BEEN LEAKED TO INDUSTRY PRESS EARLY IN SEPTEMBER, SINCE PREMATURE PUBLICATION OF NEW PRICES WOULD IN ITSELF AFFECT MARKET. PIW APPARENTLY HAD PRICE LIST TWO TO THREE WEEKS BEFORE PUBLISHING IT AND DID SO ONLY AFTER ANOTHER LIMITED OFFICIAL USE

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PAGE 03 CARACA 11617 291710Z

PUBLICATION RELEASED A PORTION OF IT.

4. PARRA SAID THAT PRICING DECISIONS MADE ENTIRELY WITHIN PETROVEN ORGANIZATION, AND ARE RESULT OF MARKET ASSESSMENTS MADE BY PETROVEN'S OWN STAFF AND MARKETING STAFFS OF MAJOR NATIONALIZED OPERATING COMPANIES. PARRA RESERVES FINAL DECISION ON PRICES TO HIMSELF. HE SAID MINISTRY OF MINES AND HYDROCARBONS

DOES NOT PARTICIPATE IN PRICING DECISIONS AND THAT PETROVEN HAS MADE A POINT OF REDUCING AT LEAST SOME CRUDE OR PRODUCT PRICES WITH EACH QUARTERLY ADJUSTMENT IN LINE WITH MARKET DEVELOPMENTS.

5. COMMENT.

PETROVEN SEEMS CONFIDENT THAT LATEST PRICE ADJUSTMENTS WILL NOT ADVERSELY AFFECT SALES IN FOURTH QUARTER, AND WE HAVE NO REASON TO QUESTION THIS JUDGEMENT. IN SPITE OF THIRD QUARTER PRICE INCREASES (REF B AND C), DEMAND FOR VENEZUELAN CRUDE AND PRODUCTS CONTINUES HIGH, WITH LOCAL REPRESENTATIVES OF US COMPANIES COMPLAINING THAT PETROVEN IS UNABLE TO MEET THEIR REQUESTS FOR ADDITIONAL SUPPLIES. EXXON OFFICIALS, FOR INSTANCE, DO NOT BELIEVE NEW PRICES WILL REDUCE THEIR PURCHASES IN VIEW OF CURRENT TIGHT SUPPLY SITUATION.

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